

# INSTRUCTIONS FOR THE PREPARATION OF ALABAMA DEPARTMENT OF REVENUE Nonresident Composite Payment Return and Extension

**2003**

An Alabama S corporation may file composite returns and make composite payments on behalf of some or all of its nonresident shareholders if there are one or more nonresident shareholders during any part of the taxable year.

By filing Form 20SC, an Alabama S corporation reports each nonresident shareholder's share of the Alabama S corporation **income**. No further filing may then be required by the shareholder. If a nonresident shareholder has other income in this State or is due a refund (e.g. due to a net operating loss carryforward), an individual Nonresident Income Tax Return, Form 40NR, must be filed by that shareholder. On Form 40NR, the shareholder reports all Alabama income including the shareholder's share of the Alabama S corporation income. The composite payment made by the S corporation on behalf of its nonresident shareholders will be accounted for as an estimated tax payment on the shareholders' return(s).

Any changes must be made on an amended Form 20SC no later than the extended due date of the return. After this date, changes in income affecting the shareholder's tax must be made on the Form 40NR, Alabama Individual Nonresident Income Tax Return.

Form 20SC and other information are available on the internet at [www.ador.state.al.us](http://www.ador.state.al.us).

**NONRESIDENT AGREEMENTS** (Schedule NRA). An Alabama S corporation must file the agreement of each nonresident shareholder of the corporation (1) to file a return and make timely payments of all taxes imposed on the shareholder with respect to the income of the Alabama S corporation, and (2) to be subject to personal jurisdiction in this State for the purpose of the collection of unpaid income tax, together with related interest and penalties, from the nonresident shareholder.

**FAILURE OF CORPORATION TO TIMELY FILE THE NONRESIDENT AGREEMENTS.** The corporation is required to complete Form 20SC and pay the tax due for all nonresident shareholders who fail to timely file the nonresident shareholder agreement. The tax due shall be computed at 5% on each nonresident shareholder's pro rata share of income allocated and apportioned to this state.

## General Instructions

**PERIOD COVERED.** File the 2003 return for calendar year 2003 and fiscal years that begin in 2003 and end in 2004.

**ORIGINAL DUE DATE.** The 2003 return for calendar year 2003 is due on or before March 15, 2004. For fiscal year or short year taxpayers, the return is due on or before the 15th day of the 3rd month following the close of the tax period. If the 15th falls on Saturday, Sunday, or a state holiday then the due date will be considered the following business day. A completed Schedule K-1 for each shareholder included on the Form 20SC should be attached to Form 20S.

If an **extension** is requested, this form must be completed and submitted with the tax due on or before the original due date. Unextended returns filed after the due date will be subject to a late filing penalty.

**PAYMENT OF TAX.** The total tax liability on the composite return is due on or before the 15th day of the 3rd month following the close of the tax period. Payments made after the original due date will be subject to interest and penalty charges. Make check payable to: Alabama Department of Revenue. Write the corporation's Federal Employer Identification Number, the income tax form number (Form 20SC), and the tax year on the check.

Section 41-1-20, **Code of Alabama 1975** requires the use of **Electronic Funds Transfer (EFT)** for all single tax payments of \$25,000 or

more. Taxpayers must register to use EFT, and substantial penalties can be assessed for noncompliance. Call the Alabama Department of Revenue EFT Hotline at (334) 242-1819 or 1-800-322-4106 for further information.

**CAUTION: Do not attach the Form 20SC or the Form 20SC payment to the Form 20S or vice versa.**

**SIGNATURE.** The return must be signed by an authorized officer of the corporation. Enter the date signed and the officer's title. If the return is prepared by someone other than an employee of the corporation, enter the signature and identification information of the preparer.

## Specific Instructions

At the top, right-hand corner, check the appropriate box indicating a calendar year, fiscal year, or short-year return. Fill in the blanks indicating the beginning and ending dates of the tax period if the return is for a fiscal year or short period. In the top block, enter the Federal Identification Number, name, and mailing address (with complete zip code) of the corporation. Check the appropriate block if this form serves as an extension, amendment, or a request for refund.

**LINES 1 THROUGH 5.** Give complete information regarding each nonresident shareholder as requested in columns (A), (B), (C), and (D). Column (C) should include the amount of each nonresident shareholder's pro rata share of the Alabama S corporation income allocated and apportioned to Alabama. Separately stated items of loss, deduction, or expense which are subject to other limitations on the individual's return including federal income tax, contribution, investment interest expense, and casualty losses, are not included on the Form 20SC. The shareholder's pro rata share of these items can only be taken on the nonresident individual return, Form 40NR. If a nonresident shareholder has a loss do not include the shareholder on Form 20SC.

**LINE 6.** If this report covers more than five (5) nonresident shareholders, complete pages 2 and 3 showing the same information as requested in lines 1 through 5. Line 6 should total the amount on lines 1 through 5 and the amounts on pages 2 and 3.

**LINE 7a.** Enter only the payment made with the payment/extension request (i.e. Form 20SC).

**LINE 7b.** Enter the amount of any composite payments made on this line. Make sure you include the Name and FEIN of the entity making the payment on your behalf in the space provided.

**LINE 7c.** Enter the total amount of **capital credit** allowable to the nonresident shareholders. The credit cannot exceed the tax due. Attach a schedule of the credit allowable for each nonresident. Attach a copy of Form K-RCC for each shareholder receiving the credit.

**LINE 8.** If this return is not filed on or before the due date (with extensions), enter a failure to timely file penalty (the greater of 10% of the amount of net tax due or \$50). Tax due and not paid by the original due date will be subject to a failure to timely pay penalty of 1% per month (maximum 25%) and will accrue interest at the rate provided in Section 40-1-44. If a shareholder subsequently files a Form 40NR, it should not include any portion of the penalties and interest in the amount of the composite payment.

**LINE 9a.** Enter the total amount due. Subtract line 7d from the total of lines 6 and 8.

**LINE 10.** If line 7d is greater than line 6, enter the difference on this line.